

**REPORT OF THE AUDIT OF THE  
CARLISLE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARLISLE COUNTY FISCAL COURT**

**June 30, 2007**

Romaine & Associates, PLLC has completed the audit of the Carlisle County Fiscal Court for fiscal year ended June 30, 2007.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information of Carlisle County, Kentucky. We have also issued an unqualified opinion on compliance with requirements applicable to Carlisle County Fiscal Court's two major federal programs: Community Development Block Grant (CFDA 14.228) and Home Investment Partnership Program (CFDA 14.239).

#### **Financial Condition:**

The fiscal court had net assets of \$3,442,178 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,077,129 in its governmental activities as of June 30, 2007, with total net assets of \$3,442,178. The fiscal court had total debt principal as of June 30, 2007 of \$200,000 with \$25,000 due within the next year.

#### **Deposits:**

The County's deposits were not fully insured and collateralized by bank securities or bonds. The unsecured amount at August 31, 2006 was \$ 57,753 and June 30, 2007 was \$64,269.

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### APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable John Roberts, Carlisle County Judge/Executive  
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carlisle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carlisle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statement. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable John Roberts, Carlisle County Judge/Executive  
Members of the Carlisle County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carlisle County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007 on our consideration of Carlisle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Romaine & Associates, PLLC*

December 14, 2007

CARLISLE COUNTY OFFICIALS

For The Year Ended June 30, 2007

**Fiscal Court Members:**

John Roberts	County Judge/Executive
Burley Mathis	Magistrate
James Pearson	Magistrate
Lyold Presson	Magistrate

**Other Elected Officials:**

Michael Hogancamp	County Attorney
Ronnie Owens	Jailer
Theresa Owens	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve McChristian	Sheriff
Heather Kimmons	Property Valuation Administrator
Steve Freeman	Coroner

**Appointed Personnel:**

Susan Bailey	County Treasurer
Gail Teasley	Finance Officer

**CARLISLE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

**CARLISLE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Primary Government</b>	
	<b>Governmental</b>	
	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,077,129	\$ 1,077,129
Total Current Assets	<u>\$ 1,077,129</u>	<u>\$ 1,077,129</u>
Noncurrent Assets:		
Capital Assets - Net of Accumulated Depreciation		
Land and Land Improvements	\$ 80,915	\$ 80,915
Buildings	834,947	834,947
Vehicles and Equipment	713,804	713,804
Infrastructure Assets - Net of Depreciation	935,383	935,383
Total Noncurrent Assets	<u>\$ 2,565,049</u>	<u>\$ 2,565,049</u>
Total Assets	<u>\$ 3,642,178</u>	<u>\$ 3,642,178</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Long-Term Debt	\$ 25,000	\$ 25,000
Total Current Liabilities	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Noncurrent Liabilities:		
Long-Term Debt, Net of Current Portion	\$ 175,000	\$ 175,000
Total Noncurrent Liabilities	<u>\$ 175,000</u>	<u>\$ 175,000</u>
Total Liabilities	<u>\$ 200,000</u>	<u>\$ 200,000</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 2,365,049	\$ 2,365,049
Unrestricted	1,077,129	1,077,129
Total Net Assets	<u>\$ 3,442,178</u>	<u>\$ 3,442,178</u>

The accompanying notes are an integral part of the financial statements.



**CARLISLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CARLISLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

		Program Revenues Received		
Functions/Programs			Operating	Capital
Reporting Entity	Expenses	Charges for	Grants and	Grants and
Primary Government:		Services	Contributions	Contributions
Governmental Activities:				
General Government	\$ 772,621	\$ 16,619	\$ 37,336	\$
Protection to Persons and Property	270,447	152,742	98,041	17,309
General Health and Sanitation	1,854			
Social Services	1,105,849		1,110,110	
Recreation and Culture	7,217			
Roads	674,438	90	785,511	
Interest on Long-Term and Short-Term Debt	13,687			
Total Governmental Activities	\$ 2,846,113	\$ 169,451	\$ 2,030,998	\$ 17,309
Total Primary Government	\$ 2,846,113	\$ 169,451	\$ 2,030,998	\$ 17,309

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CARLISLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	Totals
\$ (718,666)	\$ (718,666)
(2,355)	(2,355)
(1,854)	(1,854)
4,261	4,261
(7,217)	(7,217)
111,163	111,163
(13,687)	(13,687)
<u>\$ (628,355)</u>	<u>\$ (628,355)</u>
<u>\$ (628,355)</u>	<u>\$ (628,355)</u>
\$ 171,679	\$ 171,679
37,825	37,825
41,592	41,592
261,686	261,686
5,526	5,526
44,809	44,809
22,972	22,972
<u>\$ 586,089</u>	<u>\$ 586,089</u>
(42,266)	(42,266)
<u>3,484,444</u>	<u>3,484,444</u>
<u>\$ 3,442,178</u>	<u>\$ 3,442,178</u>

The accompanying notes are an integral part of the financial statements.

**CARLISLE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**CARLISLE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>	<u>Industrial Development Fund</u>	<u>CDBG Fund</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 183,156	\$ 253,824	\$ 371,842	\$ 252,344	\$ 6,931
Total Assets	<u>\$ 183,156</u>	<u>\$ 253,824</u>	<u>\$ 371,842</u>	<u>\$ 252,344</u>	<u>\$ 6,931</u>
<b>FUND BALANCES</b>					
Unreserved:					
General Fund	\$ 183,156	\$ -	\$ -	\$ -	\$ -
Special Revenue Funds	<u>-</u>	<u>253,824</u>	<u>371,842</u>	<u>252,344</u>	<u>6,931</u>
Total Fund Balances	<u>\$ 183,156</u>	<u>\$ 253,824</u>	<u>\$ 371,842</u>	<u>\$ 252,344</u>	<u>\$ 6,931</u>

The accompanying notes are an integral part of the financial statements.

**CARLISLE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 9,032	\$ 1,077,129
<u>\$ 9,032</u>	<u>\$ 1,077,129</u>

\$ -	\$ 183,156
9,032	893,973
<u>\$ 9,032</u>	<u>\$ 1,077,129</u>

**Reconciliation of The Balance Sheet-Governmental Funds to The Statement of Net Assets:**

Total Fund Balances	\$ 1,077,129
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	3,639,927
Accumulated Depreciation	(1,074,878)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(200,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,442,178</u>

The accompanying notes are an integral part of the financial statements.

**CARLISLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CARLISLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

	General Fund	Road Fund	Ambulance Fund	Industrial Development Fund
<b>REVENUES</b>				
Taxes	\$ 302,188	\$	\$ 114,979	\$
In Lieu Tax Payments	20,046			
Excess Fees	5,526			
Licenses and Permits	6,619	90	2,555	
Intergovernmental	55,597	785,511	10,684	
Charges for Services	10,000		150,057	
Miscellaneous	8,625	11,196	1,950	1,031
Interest	13,874	14,815	8,765	7,324
Total Revenues	<u>\$ 422,475</u>	<u>\$ 811,612</u>	<u>\$ 288,990</u>	<u>\$ 8,355</u>
<b>EXPENDITURES</b>				
General Government	\$ 358,233	\$ 10,800	\$ 186,709	\$ 400
Protection to Persons and Property	2,496			
General Health and Sanitation				
Social Services				
Recreation and Culture	3,345			
Roads		548,809		
Debt Service	9,449		29,238	
Capital Projects	28,329	29,000		
Administration	104,428	67,324	7,906	
Total Expenditures	<u>\$ 506,280</u>	<u>\$ 655,933</u>	<u>\$ 223,853</u>	<u>\$ 400</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (83,805)</u>	<u>\$ 155,679</u>	<u>\$ 65,137</u>	<u>\$ 7,955</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	\$ 216,511	\$ -	\$ -	\$ -
Transfers To Other Funds	(109,400)	(216,511)		
Total Other Financing Sources (Uses)	<u>\$ 107,111</u>	<u>\$ (216,511)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 23,306	\$ (60,832)	\$ 65,137	\$ 7,955
Fund Balances - Beginning	159,850	314,656	306,705	244,389
Fund Balances - Ending	<u>\$ 183,156</u>	<u>\$ 253,824</u>	<u>\$ 371,842</u>	<u>\$ 252,344</u>

The accompanying notes are an integral part of the financial statements.



**CARLISLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>CDBG Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 75,569	\$ 492,736
		20,046
		5,526
		9,264
1,110,110	86,405	2,048,307
	130	160,187
	370	23,172
	31	44,809
<u>\$ 1,110,110</u>	<u>\$ 162,505</u>	<u>\$ 2,804,047</u>
\$	\$ 469	\$ 556,611
	243,171	245,667
	1,854	1,854
1,105,849		1,105,849
	679	4,024
		548,809
		38,687
		57,329
	24,809	204,467
<u>\$ 1,105,849</u>	<u>\$ 270,982</u>	<u>\$ 2,763,297</u>
<u>\$ 4,261</u>	<u>\$ (108,477)</u>	<u>\$ 40,750</u>
-	109,400	325,911
-	-	(325,911)
<u>\$ -</u>	<u>\$ 109,400</u>	<u>\$ -</u>
\$ 4,261	\$ 923	\$ 40,750
2,670	8,109	1,036,379
<u>\$ 6,931</u>	<u>\$ 9,032</u>	<u>\$ 1,077,129</u>

The accompanying notes are an integral part of the financial statements.

**CARLISLE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CARLISLE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance-Governmental Funds To The Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 40,750
Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	57,329
Depreciation Expense	(164,062)
Assets disposed of, net book value	(1,283)
Proceeds from financing obligations are recorded as receipts in the Governmental Funds as a source of current financial resources. However, these transactions have no effect on the net assets.	
Financing obligations and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. However, these transactions have no effect on net assets	
Financing Obligations Principal Amount	<u>25,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (42,266)</u>

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TO THE FINANCIAL STATEMENTS**

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**CARLISLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances). As of June 30, 2007 the County had no outstanding encumbrances.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Carlisle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Carlisle County Industrial Development Authority

The county has included the Industrial Development Authority as part of its reporting entity because the primary government appoints a voting majority of the governing board and can impose its will to significantly influence the activities of the authority. The financial statements of the Industrial Development Authority are blended with those of the county and are included as a major special revenue fund.

**C. Carlisle County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Carlisle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carlisle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no business-type activities or fiduciary funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - The purpose of this fund is to account for funds received and expended in the operation of the ambulance services provided by the county.

Industrial Development Fund - The purpose of this fund is to account for industrial development activities within the county.

CDBG Fund - The purpose of this fund is to account for the scattered site project within the county.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, and Emergency 911 Fund.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Fund, Ambulance Fund, Emergency 911 Fund, CDBG Fund, and the Industrial Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**E. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50



**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Industrial Development Authority. The Governor's Office of Local Development does not require this fund to be budgeted.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Carlisle County Fiscal Court: Carlisle County Extension Service.

**Note 2. Deposits**

The county maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Carlisle County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). These requirements were met, however, as of August 31, 2006, the collateral and FDIC insurance together did not equal or exceed the amount on deposit leaving \$57,753 of the bank balance of \$1,338,068 exposed to custodial credit risk as follows. Additionally, as of June 30, 2007, the collateral and FDIC insurance together did not equal or exceed the amount on deposit leaving \$64,269 of the bank balance of \$1,131,278 exposed to custodial credit risk as follows:

- Uninsured and unsecured, August 31, 2006 - \$57,753
- Uninsured and unsecured, June 30, 2007 - \$64,269

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 80,915	\$	\$	\$ 80,915
Total Capital Assets Not Being Depreciated	\$ 80,915	\$ -	\$ -	\$ 80,915
Capital Assets, Being Depreciated:				
Buildings	\$ 1,119,100	\$ -	\$ -	\$ 1,119,100
Vehicles and Equipment	1,222,438	57,329	(12,835)	1,266,932
Infrastructure	1,172,980	-	-	1,172,980
Total Capital Assets Being Depreciated	\$ 3,514,518	\$ 57,329	\$ (12,835)	\$ 3,559,012
Less Accumulated Depreciation For:				
Buildings	\$ (269,591)	\$ (14,562)	\$ -	\$ (284,153)
Vehicles and Equipment	(511,309)	(53,371)	11,552	(553,128)
Infrastructure	(141,468)	(96,129)	-	(237,597)
Total Accumulated Depreciation	\$ (922,368)	\$ (164,062)	\$ 11,552	\$ (1,074,878)
Total Capital Assets, Being Depreciated, Net	\$ 2,592,150	\$ (106,733)	\$ (1,283)	\$ 2,484,134
Governmental Activities Capital Assets, Net	\$ 2,673,065	\$ (106,733)	\$ (1,283)	\$ 2,565,049

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 11,543
Protection to Persons and Property	24,780
Recreation and Culture	2,110
Roads, Including Depreciation of General Infrastructure Assets	125,629
Total Depreciation Expense - Governmental Activities	\$ 164,062

**Note 4. Short-Term Debt**

General Fund

During the fiscal year ending June 30, 2007, Carlisle County voted to participate in the Kentucky Association of Counties Advance Revenue Program (KARP) for the purchase of tax and revenue anticipation notes for the 2006-2007 fiscal year. As a result, \$153,200 was invested on behalf of the Carlisle County General Fund with interest bearing of \$4,755 and interest expense of \$3,779. As of June 30, 2007, all principal and interest amounts associated with the notes had been paid.

Changes in Short-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
KARP	\$ -	\$ 153,200	\$ 153,200	\$ -
Governmental Activities Long-term Liabilities	\$ -	\$ 153,200	\$ 153,200	\$ -

**Note 5. Long-Term Debt**

**A. E-911 Equipment**

On January 19, 2006, the Carlisle County Fiscal Court entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of E-911 equipment for \$ 225,000. The terms of the lease agreement are 8 annual principal payments with monthly interest payments at an interest rate of 2.67%. The fiscal court was in compliance with the terms as of June 30, 2007. Future lease principal and interest requirements are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>
2008	\$ 25,000	\$ 8,982
2009	25,000	7,872
2010	25,000	6,621
2011	30,000	5,138
2012	30,000	3,641
2013-2014	65,000	2,308
Totals	\$ 200,000	\$ 34,562

**Note 5. Long-Term Debt-(Continued)**

**B. Changes in Long-Term Debt**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 225,000	\$ -	\$ 25,000	\$ 200,000	\$ 25,000
 Governmental Activities					
Long-term Liabilities	\$ 225,000	\$ -	\$ 25,000	\$ 200,000	\$ 25,000

Interest on Short-Term and Long-Term Debt

Interest on Long-Term Debt and Short Term Debt on the Statement of Activities includes \$13,687 in interest on financing obligations.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

#### **Note 7. Deferred Compensation**

For the fiscal year ended June 30, 2007, the Carlisle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

#### **Note 8. Insurance**

For the fiscal year ended June 30, 2007, Carlisle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

#### **Note 9. Subsequent Event**

On December 26, 2007, the Carlisle County Courthouse was destroyed by fire. Court records located in the County Clerk's vault were saved as well as some records in fire proof filing cabinets.

**CARLISLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**

**CARLISLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 222,106	\$ 290,426	\$ 302,188	\$ 11,762
In Lieu Tax Payments	9,500	20,046	20,046	
Excess Fees		5,006	5,526	520
Licenses and Permits	1,700	7,260	6,619	(641)
Intergovernmental Revenue	63,870	63,870	55,597	(8,273)
Charges for Services		10,000	10,000	
Miscellaneous	7,900	8,400	8,625	225
Interest	500	500	13,874	13,374
Total Revenues	<u>\$ 305,576</u>	<u>\$ 405,508</u>	<u>\$ 422,475</u>	<u>\$ 16,966</u>
<b>EXPENDITURES</b>				
General Government	\$ 356,245	\$ 414,632	\$ 358,233	\$ 56,399
Protection to Persons and Property	151,135	112,115	2,496	109,619
General Health and Sanitation	1,020	1,020		1,020
Social Services	263	263		263
Recreation and Culture	4,000	4,000	3,345	655
Debt Service	20,500	20,500	9,449	11,051
Capital Projects			28,329	(28,329)
Administration	105,975	302,529	104,428	198,101
Total Expenditures	<u>\$ 639,138</u>	<u>\$ 855,059</u>	<u>\$ 506,280</u>	<u>\$ 348,779</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>\$ (333,562)</u>	<u>\$ (449,551)</u>	<u>\$ (83,805)</u>	<u>\$ 365,746</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Funds	\$ 149,747	\$ 149,747	\$ -	\$ (149,747)
Transfers From Other Funds	216,511	216,511	216,511	-
Transfers To Other Funds	(74,500)	(74,500)	(109,400)	(34,900)
Total Other Financing Sources (Uses)	<u>\$ 291,758</u>	<u>\$ 291,758</u>	<u>\$ 107,111</u>	<u>\$ (184,647)</u>
Net Changes in Fund Balance	\$ (41,804)	\$ (157,793)	\$ 23,306	\$ 181,099
Fund Balance - Beginning	<u>43,801</u>	<u>159,850</u>	<u>159,850</u>	
Fund Balance - Ending	<u>\$ 1,997</u>	<u>\$ 2,057</u>	<u>\$ 183,156</u>	<u>\$ 181,099</u>



**CARLISLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses and Permits	\$ 100	\$ 100	\$ 90	\$ (10)
Intergovernmental Revenue	1,270,365	1,280,718	785,511	(495,207)
Miscellaneous	80,800	80,800	11,196	(69,604)
Interest	17,000	17,000	14,815	(2,185)
Total Revenues	<u>\$ 1,368,265</u>	<u>\$ 1,378,618</u>	<u>\$ 811,612</u>	<u>\$ (567,006)</u>
<b>EXPENDITURES</b>				
General Government	\$ 10,800	\$ 10,800	\$ 10,800	\$ -
Roads	1,042,413	1,059,625	548,809	510,816
Capital Projects	110,000	110,000	29,000	81,000
Administration	363,541	356,682	67,324	289,358
Total Expenditures	<u>\$ 1,526,754</u>	<u>\$ 1,537,107</u>	<u>\$ 655,933</u>	<u>\$ 881,174</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (158,489)</u>	<u>\$ (158,489)</u>	<u>\$ 155,679</u>	<u>\$ 314,168</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	\$ (216,511)	\$ (216,511)	\$ (216,511)	\$ -
Total Other Financing Sources (Uses)	<u>\$ (216,511)</u>	<u>\$ (216,511)</u>	<u>\$ (216,511)</u>	<u>\$ -</u>
Net Changes in Fund Balance	\$ (375,000)	\$ (375,000)	\$ (60,832)	\$ 314,168
Fund Balance - Beginning	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 314,656</u>	<u>\$ (60,344)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 253,824</u>	<u>\$ 253,824</u>

**CARLISLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>AMBULANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 80,500	\$ 106,000	\$ 114,979	\$ 8,979
License and Permits		2,700	2,555	(145)
Intergovernmental Revenue	5,000	5,000	10,684	5,684
Charges for Services	60,000	135,000	150,057	15,057
Miscellaneous	1,000	1,400	1,950	550
Interest	3,200	6,450	8,765	2,315
Total Revenues	<u>\$ 149,700</u>	<u>\$ 256,550</u>	<u>\$ 288,990</u>	<u>\$ 32,440</u>
<b>EXPENDITURES</b>				
General Government	\$ 176,500	\$ 199,118	\$ 186,709	\$ 12,409
Debt Service	20,500	33,000	29,238	3,762
Administration	57,500	331,138	7,906	323,232
Total Expenditures	<u>\$ 254,500</u>	<u>\$ 563,256</u>	<u>\$ 223,853</u>	<u>\$ 339,403</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (104,800)</u>	<u>\$ (306,706)</u>	<u>\$ 65,137</u>	<u>\$ 371,843</u>
Net Changes in Fund Balances	\$ (104,800)	\$ (306,706)	\$ 65,137	\$ 371,843
Fund Balances - Beginning	104,800	306,706	306,705	(1)
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 371,842</u>	<u>\$ 371,842</u>

**CARLISLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>CDBG FUND</b>			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$	\$ 1,559,322	\$ 1,110,110 \$ (449,212)
Total Revenues	\$ 0	\$ 1,559,322	\$ 1,110,110 \$ (449,212)
<b>EXPENDITURES</b>			
Social Services	\$	\$ 1,559,322	\$ 1,105,849 \$ 453,473
Total Expenditures	\$ 0	\$ 1,559,322	\$ 1,105,849 \$ 453,473
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			4,261 4,261
Net Changes in Fund Balance			4,261 4,261
Fund Balance - Beginning	43,801		2,670 2,670
Fund Balance - Ending	\$ 43,801	\$ 0	\$ 6,931 \$ 6,931

**CARLISLE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Industrial Development Authority.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The County has not formally adopted a budget for the Industrial Development Fund, a major special revenue fund. The Governor's Office for Local Development does not require this fund to be budgeted.

**CARLISLE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**

**CARLISLE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>DES Fund</b>	<b>Emergency 911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,965	\$ 813	\$ 1,104	\$ 2,150	\$ 9,032
Total Assets	<u>\$ 4,965</u>	<u>\$ 813</u>	<u>\$ 1,104</u>	<u>\$ 2,150</u>	<u>\$ 9,032</u>
<b>FUND BALANCES</b>					
Unreserved:					
Special Revenue Funds	\$ 4,965	\$ 813	\$ 1,104	\$ 2,150	\$ 9,032
Total Fund Balances	<u>\$ 4,965</u>	<u>\$ 813</u>	<u>\$ 1,104</u>	<u>\$ 2,150</u>	<u>\$ 9,032</u>

**CARLISLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

**CARLISLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>DES Fund</b>	<b>Emergency 911 Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 75,569
Intergovernmental	78,774	3,125	4,506	
Charges for Services	100			30
Miscellaneous			350	20
Interest	21			10
Total Revenues	<u>\$ 78,895</u>	<u>\$ 3,125</u>	<u>\$ 4,856</u>	<u>\$ 75,629</u>
<b>EXPENDITURES</b>				
General Government	\$	\$ 469	\$	\$
Protection to Persons and Property	106,348		26,713	110,110
General Health and Sanitation		1,854		
Social Services				
Recreation and Culture		679		
Administration	4,956		4,853	15,000
Total Expenditures	<u>\$ 111,304</u>	<u>\$ 3,002</u>	<u>\$ 31,566</u>	<u>\$ 125,110</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (32,409)</u>	<u>\$ 123</u>	<u>\$ (26,710)</u>	<u>\$ (49,481)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	\$ 36,800	\$ -	\$ 23,900	\$ 48,700
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>\$ 36,800</u>	<u>\$ -</u>	<u>\$ 23,900</u>	<u>\$ 48,700</u>
Net Change in Fund Balances	\$ 4,391	\$ 123	\$ (2,810)	\$ (781)
Fund Balances - Beginning	574	690	3,914	2,931
Fund Balances - Ending	<u>\$ 4,965</u>	<u>\$ 813</u>	<u>\$ 1,104</u>	<u>\$ 2,150</u>



**CARLISLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

**Total**  
**Non-Major**  
**Governmental**  
**Funds**

---

\$ 75,569  
86,405  
130  
370  
31  


---

\$ 162,505

\$ 469  
243,171  
1,854  
-  
679  
24,809  


---

\$ 270,982

---

\$ (108,477)

\$ 109,400  
-  


---

\$ 109,400

\$ 923  
8,109  


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\$ 9,032

**CALDWELL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For Fiscal Year Ended**  
**June 30, 2007**

**CARLISLE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2007**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and Urban Development Community Development Block Grants/State's Program Scattered Site Housing Revitalization (14.228)	04-037	\$ 544,185
U.S. Department of Housing and Urban Development Home Investment Partnership Program Scattered Site Housing Revitalization (14.239)	HR05-0241-01	467,494
Department of Homeland Security Emergency Management Performance Grant (97.042)		<u>4,506</u>
Total Cash Expenditures of Federal Awards		<u>\$ 1,016,185</u>

**CARLISLE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2007**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Carlisle County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**CARLISLE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2007**

**CARLISLE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2007**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, each major fund and the aggregate remaining fund information of Carlisle County, Kentucky.
2. No significant deficiencies relating to the internal control of the audit of the financial statements were reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Carlisle County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Carlisle County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Carlisle County.
7. The programs tested as a major programs was the Scattered Site Program (14.228) and the Home Investment Partnership Program (14.239)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Carlisle County was not determined to be a low-risk auditee.

**B. FINDINGS AND QUESTIONED COSTS – BASIC FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**D. PRIOR YEAR FINDINGS**

None

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Krista Romaine, CPA, Member  
Charlotte Clark, Member

William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable John Roberts, Carlisle County Judge/Executive  
Members of the Carlisle County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 14, 2007. Carlisle County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carlisle County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carlisle County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carlisle County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Carlisle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Krista L Romaine, CPA  
Romaine & Associates, PLLC

December 14, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



Krista Romaine, CPA, Member  
Charlotte Clark, Member

William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable John Roberts, Carlisle County Judge/Executive  
Members of the Carlisle County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Carlisle County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Carlisle County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Carlisle County's management. Our responsibility is to express an opinion on Carlisle County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carlisle County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Carlisle County's compliance with those requirements.

In our opinion, Carlisle County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Carlisle County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Carlisle County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carlisle County's internal control over compliance.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance – (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Kentucky Governor's Office for Local Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Romaine & Associates, PLLC

December 14, 2007

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CARLISLE COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

**Appendix A**

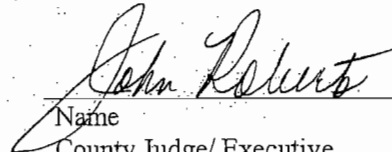
CERTIFICATION OF COMPLIANCE

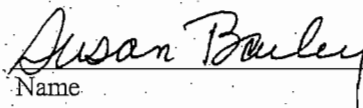
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CARLISLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2007

The Carlisle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/ Executive

  
\_\_\_\_\_  
Name  
County Treasurer